

HOMEOWNERSHIP FOR STRONGER NEIGHBORHOODS STATEWIDE

*A Report of the Maryland Sustainable Growth Commission's
Neighborhood Stabilization & Homeownership Workgroup
January 26, 2015*

Request from Speaker Busch

March 19, 2014 letter requested that the Commission convene a broad group of stakeholders to:

“...study the impact of the financial crisis on historically owner-occupied neighborhoods and to identify resources and strategies and recommendations to preserve the stability of historically owner-occupied neighborhoods and promote homeownership in these neighborhoods.”

NSHO Workgroup Members

Co-Chairs:

Clarence Snuggs, former DHCD Acting Secretary

Hon. Steve Lafferty, Delegate Maryland General Assembly

Members: 18 leaders from real estate, lending, nonprofit and for profit development, and legal communities and the public sector, representing a rural, suburban and urban balance.

Core Underlying Drivers

- *Homeownership is a critical tool for stabilizing and revitalizing neighborhoods*
- *Homeownership is not for everyone, but where sustainable, it is an important asset building vehicle*
- *The Great Recession and housing downturn set back prior gains in equity and homeownership*
- *Recovery is occurring but is uneven across Maryland*

NSHO Workgroup Process

August through December 2015:

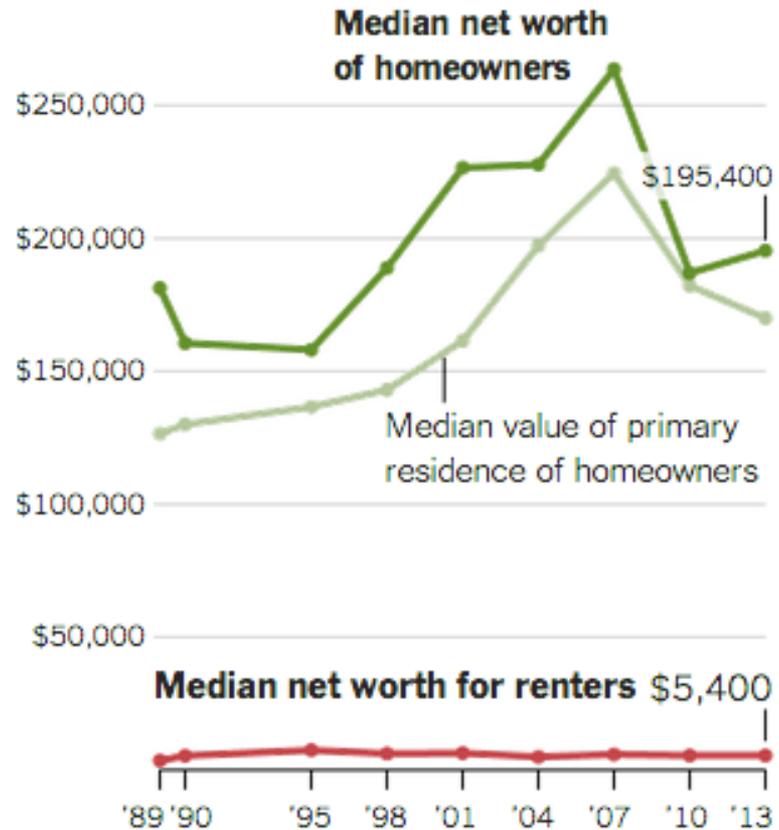
- Six Workgroup meetings
- One sub-group focused on national regulatory and other issues external to Maryland
- Four focus group meetings with real estate agents, lenders, housing counselors, housing developers and public sector housing leaders
- Research on housing trends from 2000 to 2013
- Review of current tools available in DHCD tool box
- Review of Best Practices in MD and beyond

Research Highlights:

- Homeownership still matters.
- Even with the housing bubble and subsequent downturn, homeowners on build more assets than those households that rent.

Gap in Net Worth

Figures in 2013 dollars.

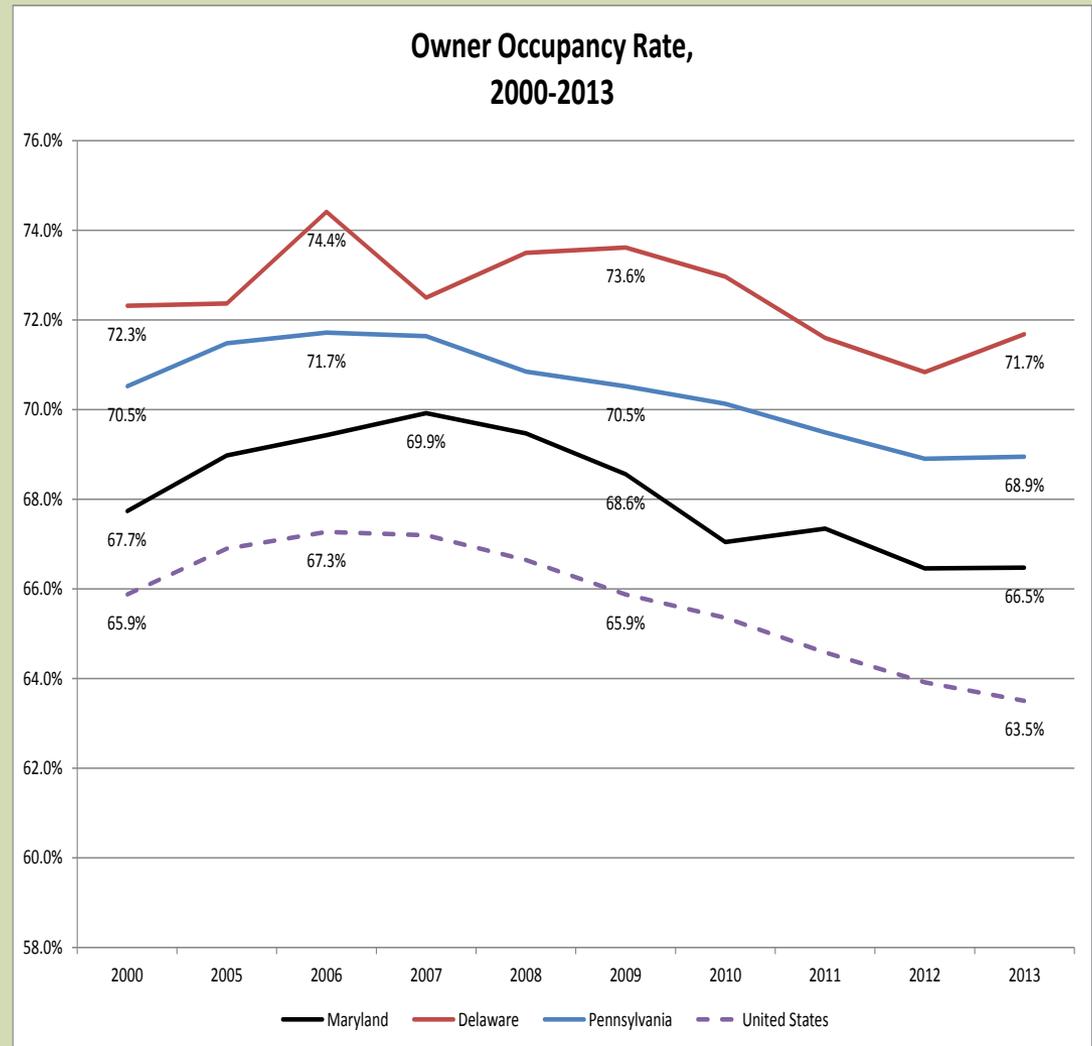


Source: analysis by Center for Responsible Lending of Federal Reserve Board's Survey of Consumer Finances

Research Highlights:

- Homeownership rates are gradually returning to pre-bubble levels.

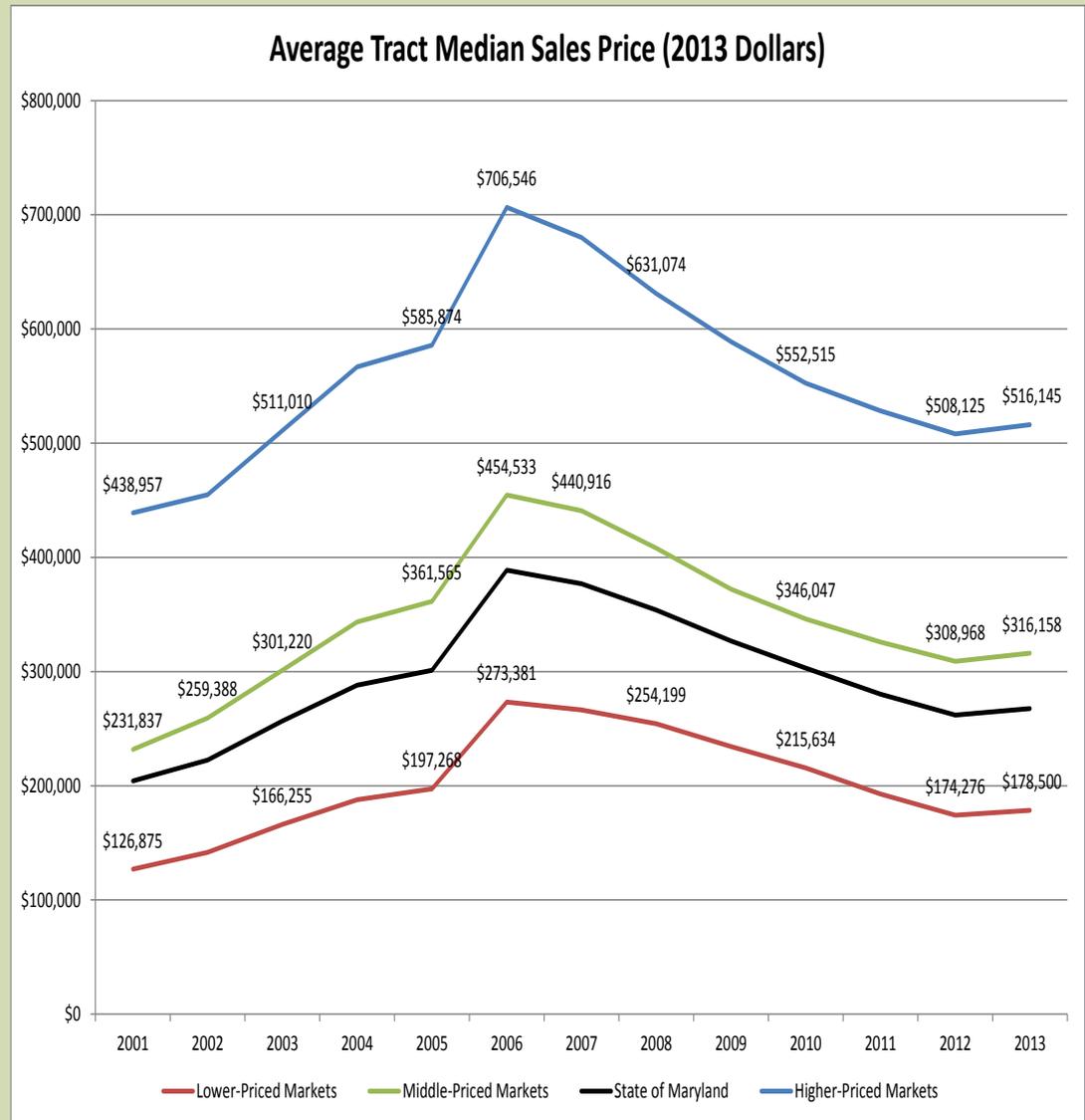
Source: The *Reinvestment Fund (TRF)*, Owner occupancy rate changes from 2000 to 2013.



Research Highlights:

- Median sales prices as of 2013 have climbed to slightly higher than 2000.
- Houses in lower-priced markets have not seen the same level of price “regain” of the middle- and higher-priced markets.
- Lower-priced markets are home to larger concentrations of lower-income and minority households

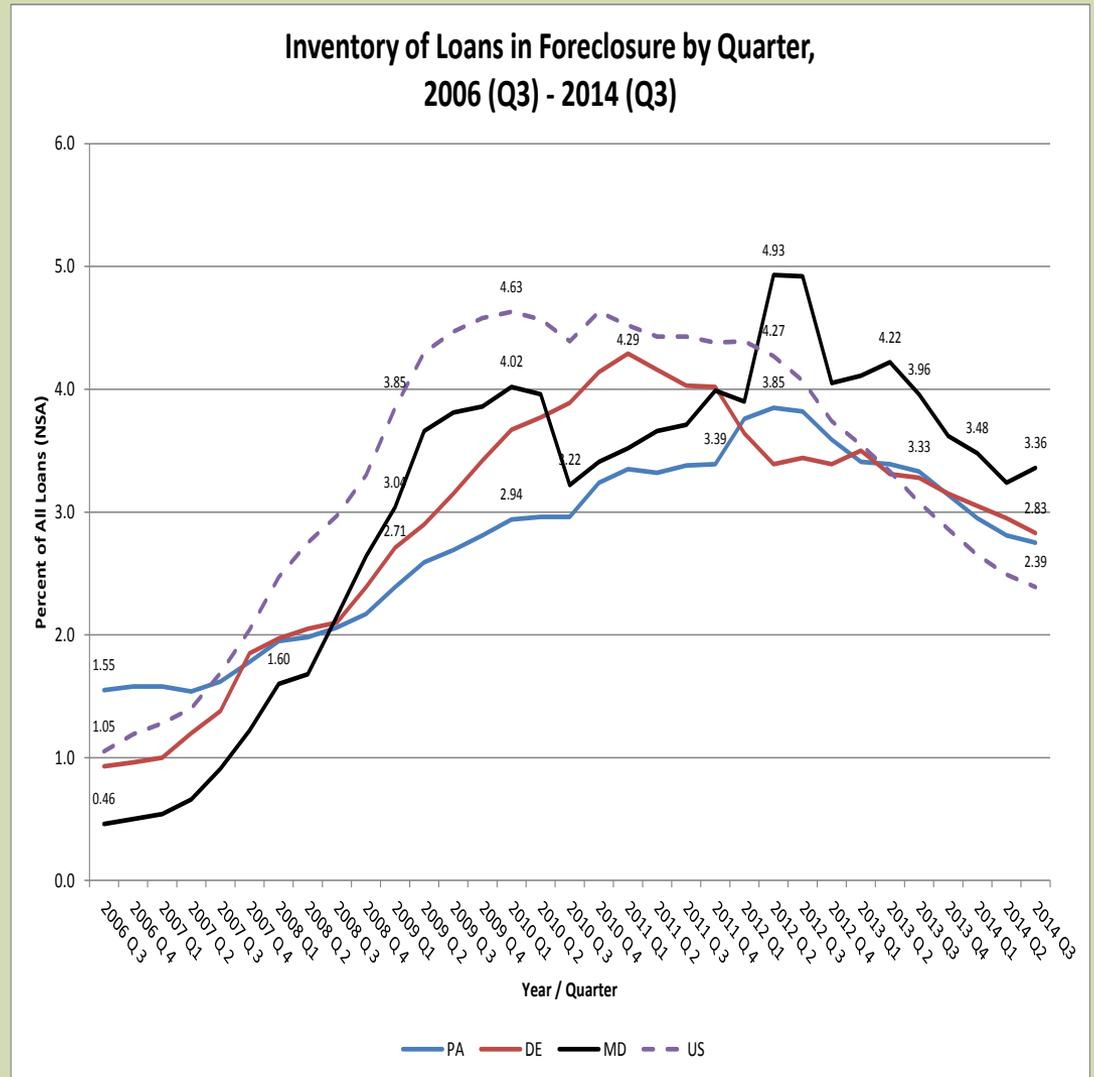
Source: TRF , *Changes in median home sales prices from 2001 to 2013, across lower-, middle- and higher-priced housing markets.*



Research Highlights:

- Foreclosure is still a factor in Maryland.
- Inventory of older defaulted loans is making its way through the foreclosure process, but is lower than 2012 peak.

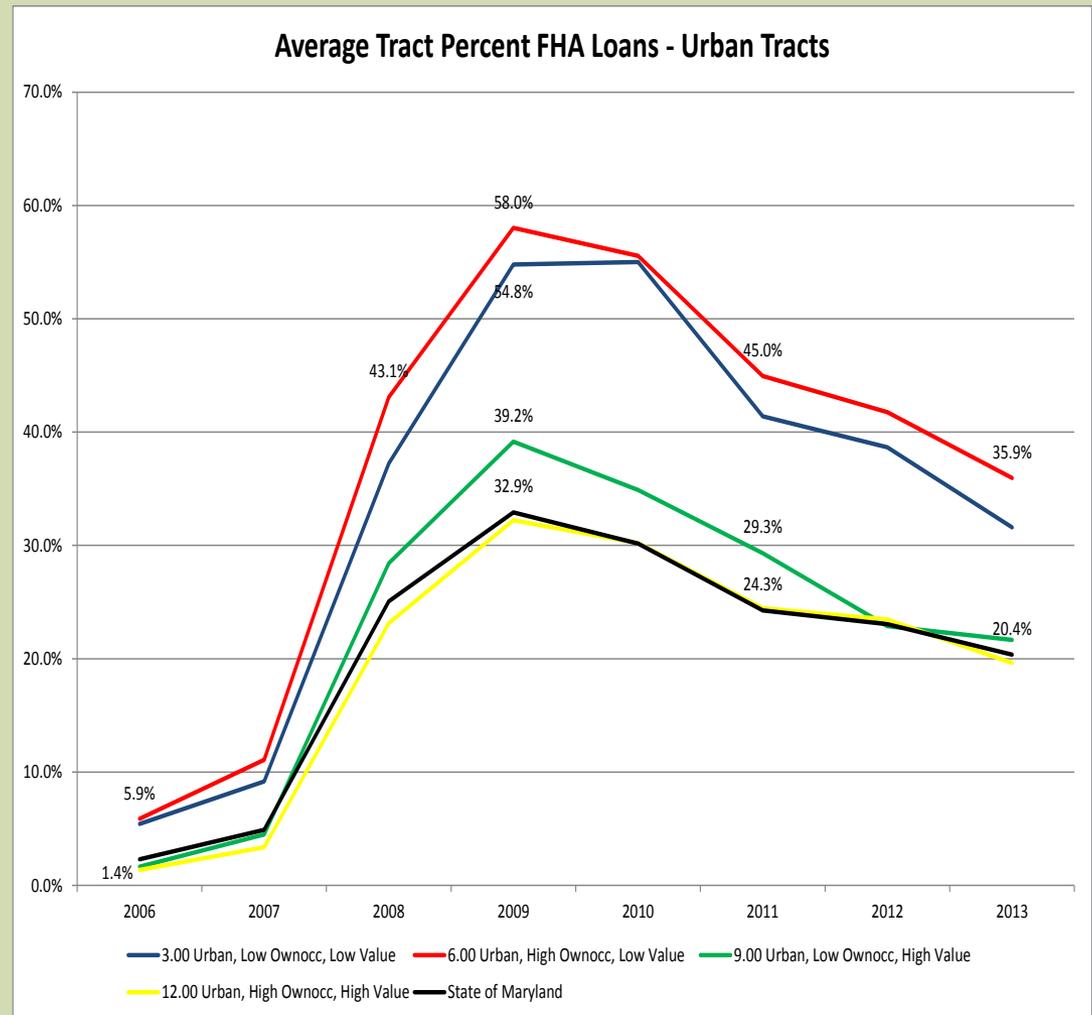
Source: TRF, *Changes in inventory of loans in foreclosure, 2006 through 2014.*



Research Highlights:

- FHA insured loans are a significant share of the market in urbanized areas, especially in Census tracts with higher-owner occupancy but lower than median home values.
- Recent announcement by Obama Administration to lower FHA fees may be of assistance.

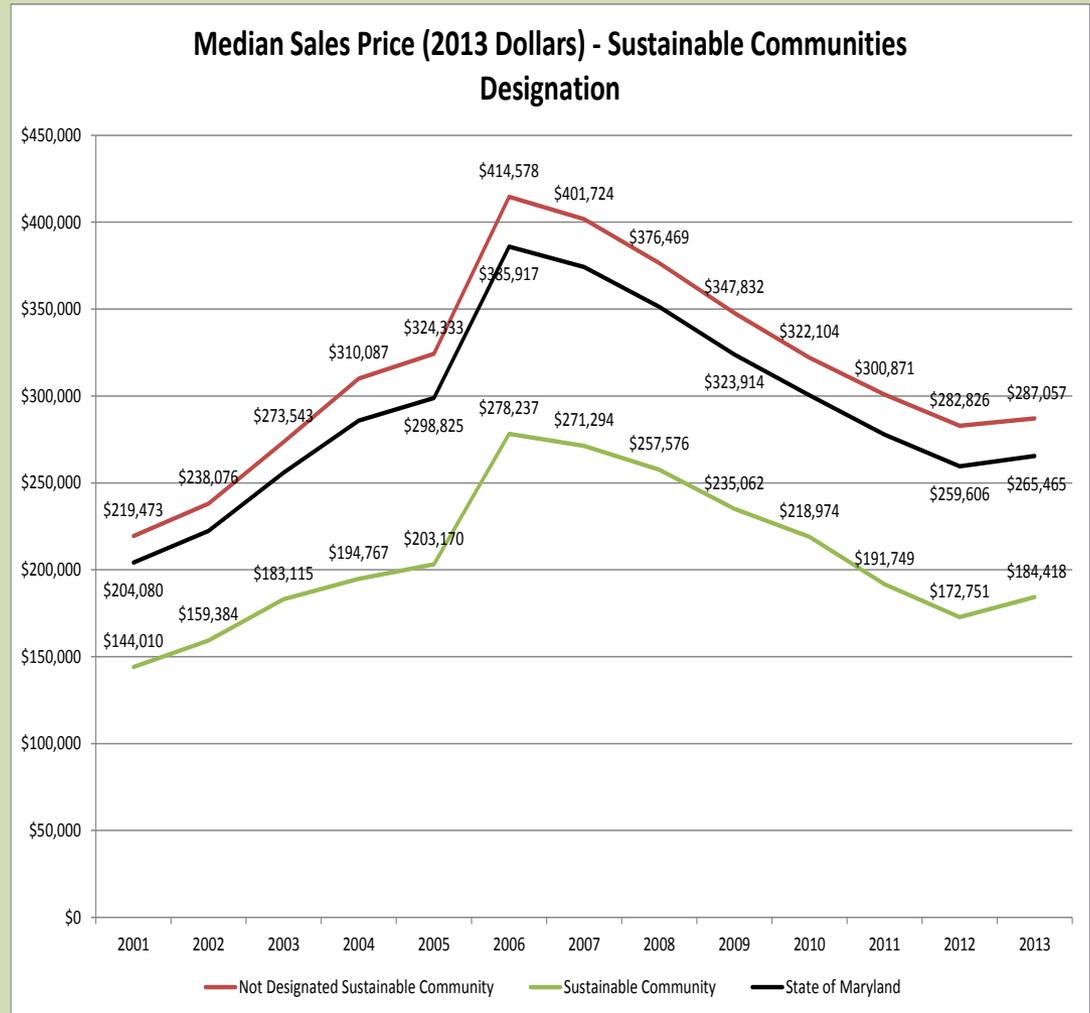
Source: TRF , *Trends in average percentage of FHA loans in urban Census tracts, relative to owner-occupancy and home values.*



Research Highlights:

- Throughout the study period, Maryland's designated Sustainable Community Areas (SCAs) exhibited lower sale prices than the remainder of the state.
- Overall rise of sales prices in SCAs was 28%, which is reasonably similar to 31% in non-designated areas.

Source: TRF, *Trends in median sales prices in designated Sustainable Community Areas, 2001 to 2013.*



NSHO Workgroup Recommendations

Four overarching focus areas:

- Financial Tools & Partnership
- Consumer Education & Outreach
- Capacity Building
- Advocacy & Legislation

NSHO Workgroup Recommendations

Goals: Financial Tools & Partnership

#1 – Create innovative residential financing tools and incentives to encourage households, developers and lenders to investment in neighborhoods targeted for revitalization.

#2 – The State should maintain and enhance its innovative “tool kit” of neighborhood revitalization programs.

#3 – Expand partnerships between private-sector lenders, DHCD and other stakeholders to expand innovative mortgage lending practices to increase homeownership investment in designated Sustainable Communities.

NSHO Workgroup Recommendations

Goals: Consumer Education & Outreach

#4 – Expand access to high-quality objective financial education beginning in school and into adulthood.

#5 – Expand outreach and education about state and local programs with homeownership incentives.

#6 – Expand outreach to real estate agents about incentives that are available for home buying and selling in targeted revitalization areas.

NSHO Workgroup Recommendations

Goal: Capacity Building

#7 – Build the capacity of nonprofit developers and for-profit developers and their contractors to expand homeownership investment in targeted revitalization areas.

NSHO Workgroup Recommendations

Goal: Advocacy & Legislation

#8 – A policy-oriented group of stakeholders from the public and private sector should meet regularly to determine how they might advocate jointly for issues that encourage homeownership and neighborhood stability

NSHO Workgroup Recommendations

Potential Legislation:

- Increased flexibility for DHCD to utilize its mortgage lending and downpayment assistance programs in Sustainable Community (SC) areas
- Enhancement of the Neighborhood Conservation Act of 2012 to include a state incentives to match local property tax incentives in (SC) areas
- Requirement for financial education courses, K thru 12, in public schools statewide
- Establishment of an ongoing advisory NSHO policy group staffed by DHCD

NSHO Workgroup Recommendations

Other priority recommendations for DHCD:

- Develop “purchase/rehab” and “rehab” lending tools to sustain and attract homeowners with choices to areas with older housing stock.
- Utilize the Maryland Housing Fund in innovative ways to attract private investment in homeownership and rehab in weaker markets.